

Message Text

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ACTION EB-07

INFO OCT-01 AF-10 ARA-10 EA-07 EUR-12 NEA-10 IO-13

ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06

AGRE-00 AID-05 CIAE-00 COME-00 INR-07 LAB-04

NSAE-00 OIC-02 EPG-02 SIL-01 STR-04 TRSE-00

CEA-01 SS-15 NSC-05 GSA-02 INT-05 /139 W

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 9365

INFO USMISSION GENEVA

AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: AORG, EMIN, UNCTAD, GW

SUBJ: UNCTAD/COPPER: SPECIFICATIONS FOR
FEASIBILITY STUDY

REF: (A) STATE 135120, (B) BONN 10030, (C) GENEVA

4827

1. DURING A DISCUSSION OF THE SPECIFICATIONS FOR
A FEASIBILITY STUDY ON COPPER HELD 24 JUNE, MINECON
COMMODITIES SPECIALISTS KIPPER AND KNOTTE
PRESENTED EMBASSY OFFICER WITH AN AIDE MEMOIRE IN
ANSWER TO AMERICAN PROPOSAL AS OUTLINED REF A. DURING
A DISCUSSION OF THE AIDE MEMOIRE, KNOTTE ASKED IF
STREEB, GENEVA MISSION OFFICER PRESENTLY IN WASHINGTON,
COULD PROCURE AT LEAST SUMMARIES OF THE EXISTING
MODELS REFERRED TO IN PART I AND PASS THEM TO BRENNER,
FRG REP IN GENEVA. AS CAN BE SEEN BY THE AIDE MEMOIRE,
TEXT OF WHICH IS CONTAINED IN PARA 3 BELOW, THE FRG
HAS STUDIED THE US PROPOSAL IN DEPTH. HOWEVER, THE
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FRG REMAINS UNCONVINCED OF THE DESIRABILITY OR
FEASIBILITY OF AN INTERNATIONAL COPPER AGREEMENT, AND
WHILE THEY DO NOT CONSIDER THE PRESENT EXERCISE USEFUL,
THEY WILL GO ALONG WITH THE MAJORITY IN GENEVA.

2. FOR LONDON: PLEASE ENSURE THAT THIS TELEGRAM IS
BROUGHT TO THE ATTENTION OF MR. HEWITT OF USMISSION

GENEVA, WHO THE GERMANS TELL US IS PRESENTLY IN LONDON.

3. INFORMAL EMBASSY TRANSLATION OF FRG AIDE MEMOIRE ON COPPER/DRAFT SPECIFICATIONS OF A FEASIBILITY STUDY IS AS FOLLOWS:

BEGIN TEXT:

1. THE FEDERAL GOVERNMENT WELCOMES THE EFFORTS OF THE US GOVERNMENT IN URGING THE UNCTAD SECRETARIAT TO START IMMEDIATELY WITH THE PREPARATION OF A FEASIBILITY STUDY. IT SHARES THE OPINION THAT THE STUDY WILL BE AN IMPORTANT BASIS FOR A DECISION OF THE GROUP OF EXPERTS. THEREFORE, IN THE OPINION OF THE FEDERAL GOVERNMENT, THE STUDY ALSO MUST BE AS COMPREHENSIVE AND AS COMPETENT AS POSSIBLE, BUT EQUALLY AS ORIENTED TO THE PROBLEMS AS NECESSARY. IT IS FOR THIS VERY REASON THAT IT SHOULD BE STARTED IMMEDIATELY.

2. THE FEDERAL GOVERNMENT CONSIDERS THE PROPOSALS OF THE US GOVERNMENT A GOOD AND BALANCED BASIS FOR A STUDY. THE FRG IS PREPARED, TOGETHER WITH OTHER CONSUMER AND PRODUCER COUNTRIES, TO TAKE UP NEGOTIATIONS ON A COMMON DRAFT ON THE BASIS OF THESE PROPOSALS. IT LIMITED OFFICIAL USE

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SHOULD BE THE GOAL OF THESE NEGOTIATIONS TO ELABORATE SUCH A DRAFT AS EARLY AS POSSIBLE AND TO SUBMIT IT VIA THE CHAIRMAN OF THE GROUP OF EXPERTS TO THE UNCTAD SECRETARIAT. THE FEDERAL GOVERNMENT PROPOSES TO HAVE THESE NEGOTIATIONS CARRIED THROUGH BY THE PERMANENT REPRESENTATIVES IN GENEVA.

3. THE FEDERAL GOVERNMENT HAS THOROUGHLY ANALYZED THE US PROPOSALS. IN THIS PAPER, IT WISHES TO RESTRICT ITS COMMENT TO SOME GENERAL OBSERVATIONS AND PROPOSALS, BUT ALSO WISHES TO RESERVE FOR ITSELF THE RIGHT TO MAKE FURTHER PROPOSALS FOR THE GENEVA NEGOTIATIONS.

4. IN THE VIEW OF THE FEDERAL GOVERNMENT, THE EMPHASIS OF THE EXAMINATIONS SHOULD BE ON THE SUBJECTS REFERRED TO IN THE LAST TWO PARAGRAPHS OF SECTION I OF THE U.S. PROPOSAL. THE FRG SUGGESTS THAT SENTENCE 1 OF SECTION I SHOULD ALSO INCLUDE THE IDEA OF COST-BENEFIT-ANALYSIS WHICH HAS BEEN INTRODUCED BY THE GERMAN DELEGATION IN GENEVA (US PROPOSAL: "THERE SHOULD ALSO BE A CAREFUL ANALYSIS OF THE FINANCIAL, ECONOMIC, AND OPPORTUNITY COSTS INCLUDING A COST-BENEFIT ANALYSIS

ASSOCIATED WITH EACH MEASURE . . ."). THE FEDERAL
GOVERNMENT ASSUMES THAT THE ECONOMETRIC EXAMINATIONS

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WILL BE ORIENTED BY THESE GUIDELINES, EVEN IF THESE
ARE STATED ONLY IN THE LAST TWO PARAGRAPHS. IF THE
ORDER OF PRESENTATION SHOULD GIVE REASON FOR DOUBT,
THEN THE FRG WOULD PREFER PLACING THESE TWO
PARAGRAPHS AT THE BEGINNING OF SECTION I.

5. THE ECONOMETRIC MODELS CITED IN PART I, PARAGRAPH 1
ARE UNKNOWN TO THE FEDERAL GOVERNMENT. WITHOUT
COGNIZANCE OF THESE MODELS THE FRG FINDS IT DIFFICULT
TO ASSESS THE IDEAS PRESENTED BY THE US GOVERNMENT
AND THE ADDITIONAL PROPOSALS MADE BY IT, AND TO MAKE
A JUDGMENT ON WHETHER SUPPLEMENTS WHICH IT WISHES
TO PROPOSE ITSELF ARE JUSTIFIED. WITH THIS
RESERVATION, IT SUGGESTS ADDING TO THE LAST SECTION
OF PARAGRAPH 1 "AS WELL AS THE IMPACT OF NON-
PARTICIPATION OF MAJOR COUNTRIES OR REGIONS".

6. IN PARAGRAPH 4, THE WORD "SUPPLY" SHOULD BE
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REPLACED IN EACH CASE BY "PRODUCTION AND EXPORT".
IT SHOULD ALSO BE NECESSARY TO CLARIFY THE PERTINENT
EFFECTS ON BOTH, PRODUCTION AND EXPORTS.

7. THE FEDERAL GOVERNMENT RAISES THE QUESTION WHETHER
THE LAST SENTENCE OF PARAGRAPH 4 ("SUCH A RELATIONSHIP")
MIGHT NOT BE OMITTED.

8. IN GENERAL, IT SUGGESTS THE INCLUSION, IN THE
APPROPRIATE SECTIONS, OF THE FOLLOWING POINTS AS
SUBJECTS OF EXAMINATION:

THE EFFECTS OF MEASURES FOR THE STABILIZATION OF
COPPER PRICES ON
-- THE COPPER EXPORT EARNINGS OF A COUNTRY,
-- THE GENERATION OF WINDFALL-PROFITS IN PRODUCING
INDUSTRIAL STATES,
-- THE SUBSTITUTION PROCESS,
-- THE LABOR MARKET IN PRODUCER COUNTRIES,
-- THE DEGREE OF UTILIZATION OF THE PRODUCTIVE
CAPACITIES.

9. FINALLY, THE FEDERAL GOVERNMENT REPEATS ITS
WILLINGNESS EXPRESSED ALREADY IN GENEVA TO PARTICIPATE
ACTIVELY IN THE CONSULTATIVE MECHANISM PROPOSED BY
THE US DELEGATION. IT INTENDS TO COOPERATE ACTIVELY
IN THE WORK OF THE GROUP OF EXPERTS ALSO IN THE
FUTURE. NOW AS BEFORE, HOWEVER, THE FEDERAL
GOVERNMENT ASSESSES THE CHANCES FOR THE CONCLUSION OF
A COPPER AGREEMENT UNDER ONE OF THE THREE MODELS TO
BE EXAMINED WITH GREATEST RESERVATION AND THEREFORE
OBSERVES THE CONTENTS OF THE FEASIBILITY STUDY WITH
SOME SKEPTICISM. WITH THIS STUDY, ONLY ONE PART OF
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THE MANDATE FOR THE GROUP OF EXPERTS WILL BE FULFILLED.
THE FEDERAL GOVERNMENT CONTINUES TO CONSIDER THE
ALTERNATIVE OF A PRODUCER-CONSUMER-FORUM FEASIBLE,
DESIRABLE AND EQUALLY NEGOTIABLE. IT HOPES THAT IT
WILL BE POSSIBLE IN DUE TIME TO ACHIEVE BROAD CONSENT
FOR THIS FORUM. IT WILL DIRECT ITS OWN CONSIDERATIONS
TOWARDS THE FORMULATION OF SUCH A FORUM, ESPECIALLY
TOWARDS INSTITUTIONAL DETAILS AND THE QUESTION OF
WHAT CONTRIBUTION SUCH A FORUM CAN MAKE FOR THE
STABILIZATION OF THE COPPER MARKET. THE FEDERAL

GOVERNMENT IS PREPARED TO DISCUSS THESE CONSIDERATIONS
WITH CONSUMERS AND PRODUCERS IN DUE TIME. END TEXT.
STOESSEL

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